

AGM 2022: Your Society. Your Vote. Your Future.

Frequently asked questions



We've put together this selection of themed questions to help you cast your vote at the AGM 2022. Our member magazine also contains more information and updates on our performance in 2021.

Ask a question

If, after reading the Q&As below you still have a question you'd like to ask, you can do this ahead of the AGM by email or post.

Email: agm@leedsbuildingsociety.co.uk

Post: Secretary, Leeds Building Society, 26 Sovereign Street, Leeds, LS1 4BJ

You can also submit a question in any of our branches.

Members in attendance at the AGM will have the opportunity to ask questions during the meeting, and we'll respond to all other questions directly, including questions received after the AGM.

For the quickest response, it's best to email your question.

For everything you need to know about AGM 2022, visit our AGM Hub at leedsbuildingsociety.co.uk/agm.

What's the Society's approach to the issue of climate change?

We're focused on reducing our carbon footprint as a business, and we're proud that we've attained carbon neutral status for Scope 1 and 2 emissions and Scope 3 emissions (business travel). We've done this a year earlier than planned.

Scope 1 emissions are the greenhouse gas emissions that the Society makes directly (e.g. the fuel used in boilers to heat some of our branches). Scope 2 represents indirect emissions produced in the creation of electricity that we buy and Scope 3 emissions cover all other indirect emissions across our value chain (e.g. from our suppliers through to the products we provide).

Moving into our new energy efficient EPC 'A' rated head office in Leeds in May 2021 was a big step towards this. It's powered by renewable energy and uses energy efficient glass and recycled materials where possible.

In 2021 we launched our first 'green mortgages' with preferential deals for members with more energy efficient properties. We were also the first lender to help new mortgage members with less energy efficient homes by offsetting the carbon footprint of their home during the fixed term of their mortgage. That was on a pilot basis[^] across our entire residential 95% loan to value range.

We also launched a Guide to Greener Living on our website to provide information for members on how you can be more energy efficient in your homes and in your daily lives.

We partnered with the Yorkshire Dales Millennium Trust to launch our 'Dedicate a Tree' children's savings account, which dedicated a newly planted tree in the Dales for every new account opened. We also planted 1,500 trees on behalf of colleagues, some of whom volunteered to support the creation of new woodlands in the Dales. Over the next 50 years, these trees should offset an estimated 250 tonnes of CO2.

As part of establishing our Green Strategy, the Board has approved an inaugural set of climate-related targets, which will help shape our path to net zero. Further information regarding these targets can be found within the 'Task Force on Climate-Related Financial Disclosures' section of our 2021 Annual Report and Accounts.

What is the Society's strategic focus for 2022?

Our purpose is the reason we were founded almost 150 years ago, and we've been living up to it ever since.

This year, we've renewed how we articulate our purpose. It's something that the original founders would recognise: "Putting home ownership within reach of more people – generation after generation".

This is what will drive us forward and what we'll focus on in 2022 to create long-term success for the Society and benefit all our members.

This means we will focus more on what we can do to help members onto and up the property ladder, working to become part of the solution to today's housing crisis.

For our valued savings members we'll create experiences that are straightforward and human no matter the channel, and make sure when people save with us, they save with purpose.

Our refreshed strategy sets us up to adapt to the changing environment and the issues our members face around homeownership, to innovate to solve these problems, and to ensure the Society is not just about great savings rates, but much more beyond that. This will ensure that we can deliver real value to members for years to come.

Why weren't the Society's savings rates higher in 2021?

Our financial strength has enabled us to consistently pay above the market average to our savings members, despite the historically low interest rate environment. The average rate we paid to savers of 0.79% compares to a market average of 0.29%, equating to an annual benefit to our savings members of £71.5 million.*

Over the past year, external factors, including a low Bank Base Rate contributed to market rates reaching record lows. We work hard to support our savers and keep our rates as high as possible, for as long as possible.

As a building society, we need to manage funding costs for the long-term benefit of our membership, which includes maintaining sustainable savings rates in line with our building society peers, and typically higher than banks.

Will you be increasing interest rates for savings and mortgage members in 2022?

On 3 February 2022 the Bank of England increased its base rate of interest from 0.25% to 0.50%.

This change affected some of our mortgage and savings accounts. As a building society we consider the interests of our membership, both savers and borrowers, when setting our rates.

Savers

From 1 March savings rates increased across a range of our variable accounts by up to 0.25%, with nine out of 10 savers benefiting. Our minimum member rate will increase by 0.15% to 0.30% which is one of the highest in the market.

Most of our savers hold fixed rate accounts and they will continue to receive that rate until their product matures.

We've consistently paid savers more than the average interest rate, equating to an annual benefit to our savers of more than £71m.*

Mortgages

Most Leeds Building Society borrowers are on fixed rate products and rates for those members will remain the same until their fixed periods end.

Members' mortgages that track the Bank of England rate will change automatically in accordance with the terms and conditions of the account.

From 1 April we'll be increasing our SVR (Standard Variable Rate) for residential lending to 5.54%. This will affect less than 10% of our mortgage customers. This will be the first time we've increased our SVR since December 2017. Members who may be on SVR can speak to us about the possibility of a product transfer, as we have various options available. Our Buy to Let Variable Rate will also increase by 0.25% to 5.84% on 1 April.

If further changes in the Bank of England base rate are announced after March 2022, we'll update members on what this means for them.

Is the Society committed to a network of branches?

We know our branches play an important role for our savings members and we remain committed to a sustainable branch network. However, member behaviour can change over time, and we need to respond to these changes, and adapt our business model appropriately, in our members' long-term best interests.

During the past year we kept all our branches open for essential services during the ongoing challenges of the pandemic, and we were happy to welcome more members back into branches as Covid-19 restrictions eased.

In September 2021 we opened our new flagship Leeds Central branch, which offers a prime, city centre location. It's the biggest in our network and is part of our investment in our operations and our future in the city.

In addition to this, we've proactively renewed all leases that were up for review, up to and including the end of 2022.

How did you support members during 2021?

Our members are at the heart of every decision we make. In 2021 we supported our members in a range of ways, including:

- Paying above average market rate to our savings members – equating to an extra £71.5* million in our savers' pockets
- Paying the highest rate of all our peers at mid-year in terms of our savings rates
- Launching new savings products such as our two-year Regular Saver, our bond to support Dementia UK, as well as the Dedicate a Tree children's accounts
- Keeping our branch network open in a Covid-secure environment and branch colleagues maintained regular contact with vulnerable members
- Supporting first time buyers by introducing our First Homes proposition, and remaining committed to the Shared Ownership market throughout the pandemic
- For members affected financially by the impact of the pandemic we waived mortgage arrears fees in 2021, and we're continuing to do that as we begin 2022

- Helping the majority of borrowers who took mortgage payment deferrals during the pandemic return to regular repayments
- Launching our first green mortgages with preferential deals for members with more energy efficient properties
- We were the first lender to help customers with less energy efficient homes to offset their carbon footprint during the fixed term of their mortgage on a pilot basis[^] across our entire residential 95% loan to value range
- Providing practical information to members on how they can make their homes more energy efficient and live a greener life

How did you support colleagues during 2021?

Keeping our colleagues and members safe, while successfully maintaining our service levels, was a priority for the Society during 2021.

All our premises continued to be COVID-secure, in line with government guidance, and we implemented additional safety measures. We also continued to follow social distancing measures in branches.

We've provided detailed information and frequent updates to our colleagues to ensure our offices, branches and working practices remained as safe as possible.

During 2021 head office colleagues combined home working with the opportunity to safely work in the office. We're extremely grateful for the commitment and resilience of all our colleagues during this very challenging period and for so quickly adapting to new ways of working.

We take the wellbeing of colleagues extremely seriously and have a range of forums in the Society for colleagues to discuss issues that are important to them, such as race equality, gender, sexuality, and mental health. We were also proud to gain a 3 Star accreditation in the Best Companies 2022 survey, based on colleague feedback.

What is your policy for Directors' remuneration designed to do? What changes are being proposed for 2022?

The remuneration policy is designed to support the following key principles:

- Ensure compensation is structured to attract, motivate and retain high performing colleagues (and remuneration remains attractive in a competitive market)
- Promote a healthy, diverse and inclusive culture
- Support the business strategy and the long-term interests of the Society

This year, we're asking members to approve a change to the Directors' Remuneration Policy at AGM 2022.

Following the significant changes to the structure of remuneration packages in 2021, we're not proposing major changes this year. However, during 2021, there has been increasing competition for talent and we're not immune to this.

Whilst we have the flexibility to use retention bonuses for all colleagues in the Society, we're seeking to extend this flexibility to make retention awards specifically to executive directors in exceptional cases, where we believe it is necessary in the interests of members and the Society to retain the service of an executive. These awards are designed to incentivise a key individual to stay with the Society for a limited

period and during the completion of a specific project or other multi-year deliverable; and the flexibility will ensure we have the capacity to respond to a particular circumstance, without having to permanently increase pay levels.

Any retention awards will be subject to regulatory requirements around variable pay and we're proposing the Committee has the flexibility to make an award up to the maximum permitted (in conjunction with the annual bonus) without breaching the regulatory cap on variable pay, of 100% of fixed pay.

The Society will, as always, be focused on the interests of members', colleagues' and other stakeholders' interests when considering whether to make an award. If we do use this flexibility, we'll always explain carefully in the subsequent Annual Report why we considered it was necessary to do so.

You have the opportunity to vote, on an advisory basis, on the remuneration policy at AGM 2022.

What are your views on Board diversity?

We recognise that being diverse and inclusive, both at Board-level and more widely, helps deliver better outcomes for our members, as well as positioning us strongly as an employer of choice – able to attract, retain and provide opportunities for a team of exceptionally talented colleagues.

In addition to striving for increasing demographic diversity, which is about differences in people's demographic characteristics, we recognise the importance of cognitive diversity in the boardroom. Cognitive diversity enables us to benefit from differences in people's knowledge, views, and perspectives, as well as the diverse ways in which they approach problems and perceive, process, and interpret information. A cognitively and demographically diverse board is ideally positioned to discharge its responsibilities effectively, enhances the effectiveness of our Board's independence, judgement and decision-making and helps us compete, innovate and respond to disruption in today's challenging operating environment.

We currently have 27% female representation on the Board and are progressing towards our target of 33%, in line with the Hampton Alexander Review. We have also made a commitment to the Government's Race at Work Charter and have reached our current target to have one ethnic minority Board member (9%), in line with the Parker Review.

More information on diversity is available at leedsbuildingsociety.co.uk/your-society/financial-information/diversity/, which provides more context for our commitments and sets out our new high-level targets.

Why are the Society's Rules changing?

The Society's Rules are our main constitutional document and set out the principles and basis on which the Society is governed, including the requirements for how members' meetings are held.

We are proposing to update the rules: (a) to allow members' meetings to be held electronically and/or in more than one physical location; (b) to clarify the procedures for adjourned meetings; (c) to reduce the quorum requirements for meetings; (d) to improve the requirements regarding giving notice of meetings in the event of disruption to postal services; (e) to reflect the requirements of The Mental Health (Discrimination) Act 2013; and (f) from a diversity perspective, all references to 'Chairman' within the Rules will be updated to 'Chair' and references to one gender shall include a reference to the other genders.

In 2020 and 2021, the pandemic and subsequent lockdowns restricted the holding of physical Annual General Meetings. There are member benefits in updating the Rules of the Society to allow member

meetings to be held electronically or at more than one venue (or by a combination of both), so that all members who wish to do so can fully participate in the meeting, whilst also helping ensure that we keep our members and colleagues safe.

We're proposing to update the Rules to allow the Board to arrange for members to attend a meeting at one or more venues and/or using an electronic platform, if the Board decides it would be safe and appropriate to do so.

For more information on the proposed changes to our rules please see our Notice of AGM. A tracked-change version of our Rules showing all the proposed changes is also available on our website at: leedsbuildingsociety.co.uk/agm.

How will the AGM be different this year?

At the time of print, it's our intention that members will be able to attend the 2022 AGM in person. For our members' and colleagues' safety, we'll be following the latest government guidance on Covid-19 at the time of the event.

For information on the safety measures we're putting in place on the day, or if members can't attend the AGM because of restrictions in place at the time, you'll find the latest updates at leedsbuildingsociety.co.uk/aboutagm or by talking to us in a branch.

This year's AGM will take place at **11am on Friday 8 April 2022** at the **Leeds Marriott Hotel, 4 Trevelyan Square, Boar Lane, Leeds, LS1 6ET**. We ask any members attending the AGM to arrive and depart promptly.

Members in attendance at the AGM will have the opportunity to ask questions during the meeting. However, you can also ask a question by email, post or in one of our branches. We'll respond to all questions directly, including questions received after the AGM. For the quickest response, it's best to email your question.

Email: agm@leedsbuildingsociety.co.uk

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Does the Society have a responsible business strategy?

After year one of our five-year responsible business strategy (2021-2025) there are already tangible and positive impacts on the stakeholders and communities we serve.

The strategy has highlighted the importance of incorporating our core purpose into all that we do, while raising our ambition to prioritise social and environmental issues, alongside our underlying business performance targets.

Our responsible business targets support us in establishing the right priorities and culture across the Society, helping ensure we use our commercial success to drive positive social and environmental impact through what we do, while ensuring we have the relevant governance in place to reduce and mitigate risk. The Society is well placed to make progress and drive further change over the coming years.

We saw lots of positive impacts from our strategy in 2021, including:

- Reducing our carbon footprint and achieving carbon neutral status, as well as being reaccredited with the Carbon Trust Standard for Carbon for the fifth year in a row
- Launching our first ever green mortgage and launched 'Dedicate a Tree' children's savings account, as well as dedicating and planting a tree for each of our colleagues
- Winning the What Mortgage 'Best Shared Ownership Mortgage Lender' award for the sixth year in a row, demonstrating our commitment to affordable housing
- Launching a two-year partnership with the Canal & River Trust and adopted a mile of waterway outside our head office in Leeds
- Reaching 8,000 people via our outreach social mobility and financial education volunteering programme
- Raising a total of over £380,000 for our charity partner Dementia UK through colleague fundraising and matched funding activities which has helped launch their 'Closer to Home' campaign in 2021
- We also launched a three-year bond supporting Dementia UK and donated over £144,000 to 158 UK charities in 2021 through the Leeds Building Society Foundation